

Message Text

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TAGS: ELAB, PINT, ECON, BE

SUBJECT: TINDEMANS UNVEILS COMPROMISE INCOMES POLICY-
UNIONS DEFER FINAL COMMENT UNTIL END OF MONTH

REF: BRUSSELS 9883

SUMMARY. PRIME MINISTER TINDEMANS, SEEKING TO BREAK AN EMPLOYERLABOR IMPASSE ON AN INFLATION-CONTROL INCOMES POLICY, HAS COME UP WITH A COMPROMISE PLAN EMBODYING SOME VIEWS OF BOTH EMPLOYERS AND TRADE UNIONS. PROPOSAL CALLS FOR DEFERRING ALL WAGE INCREASES EXCEPT COST-OF-LIVING RISES FOR NINE MONTHS AND FOR LIMITED EARLY RETIREMENT PROGRAM. THIS SPECIAL PENSION FUND WOULD BE FINANCED BY LEVIES ON MORE PROFITABLE COMPANIES AND THOSE THAT IGNORE WAGE FREEZE IN WAGE SETTLEMENTS OVER NEXT NINE MONTHS. C-O-L WAGE INDEXATION WOULD NOT APPLY TO MONTHLY GROSS SALARIES OVER 40,000 FRANCS. FOR SAME PERIOD GOVERNMENT WOULD ALSO FREEZE RENTS, DIVIDENDS, BONUSES AND PROFESSIONAL FEES AS WELL AS MINISTER'S SALARIES. UNIONS HAVE BEEN SLOW IN RESPONDING TO THIS COMPROMISE.

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MISE PACKAGE. LABOR FEDERATIONS MET NOVEMBER 12 TO WORK OUT A COMMON RESPONSE. THIS PROVED IMPOSSIBLE AND THEY SUBSEQUENTLY

TOLD TINDEMANS THEY WILL GIVE THEIR FINAL RESPONSE AFTER CONSULTING WITH RANK-AND-FILE BEFORE END OF THIS MONTH. BY DRAWING ON ELEMENTS OF BOTH UNIONS AND EMPLOYERS POSITIONS, TINDEMANS HAS SKILLFULLY WORKED OUT COMPROMISE PACKAGE WHICH IS DIFFICULT FOR EITHER PARTY TO REJECT. HE ALSO HAS PROVOKED SIGNIFICANT BREACH IN THE UNION COMMON FRONT. THIS MAY ENABLE HIM TO SECURE PARLIAMENTARY APPROVAL OF THIS PROGRAM BEFORE THE END OF THE YEAR. PRICE HE HAS PAID IS DIMINATION OF INCOMES PLAN TO POINT WHERE IT UNLIKELY TO MAKE MUCH DIFFERENCE AGAINST BELGIUM'S HIGH AND STUBBORN RATE OF INFLATION. END SUMMARY.

BEGIN UNCLASSIFIED

1. AFTER CONSULTING WITH TRADE UNION, EMPLOYER AND COALITION PARTY LEADERS, PRIME MINISTER TINDEMANS ANNOUNCED NOVEMBER 7 A NEW PROGRAM DESIGNED TO LIMIT INFLATION IN 1976, CHIEFLY BY INCOMES CONTROL. THE MAIN POINTS ARE AS FOLLOWS:

(A) DIVIDENDS WILL BE BLOCKED AT THEIR 1974 LEVEL. ANY BONUSES FOR 1975 MUST BE LIMITED TO 75 PERCENT OF THEIR PRECEDING LEVEL. ALL RENTS, PROFESSIONAL FEES AND SALARIES OF MINISTERS WILL BE FROZEN THROUGH 1976.

(B) ALL COLLECTIVE AGREEMENTS WHICH EXPIRE BEFORE OCTOBER 31 WILL BE EXTENDED FOR NINE MONTHS.

(C) THE COST OF ANY NEW BENEFITS OF WHATEVER NATURE (WAGES, HOURS, FRINGE BENEFITS) GRANTED AFTER NOVEMBER 1 AND NOT STIPULATED IN A PRIOR AGREEMENT CANNOT BE DEDUCTED FOR TAX PURPOSES AND WILL BE SUBJECT TO A 48-PERCENT SPECIAL TAX FOR A NINE-MONTH PERIOD FROM THE DATE THEY ENTER EFFECT.

(D) NEW COLLECTIVE AGREEMENTS WILL NO LONGER HAVE THE FORCE OF LAW AND WILL NOT APPLY TO EMPLOYERS WHO DO NOT BELONG TO THE ORGANIZATION WHICH MADE THE AGREEMENT.

(E) COMPANIES WHICH GRANT NEW BENEFITS WILL NOT BE AUTHORIZED TO INCREASE THEIR PRICES, WILL NOT BENEFIT FROM ECONOMIC EXPANSION LAWS AND CANNOT REVISE PRICES ON ANY CONTRACTS ALREADY CONCLUDED.

(F) THE INDEX SYSTEM REMAINS UNCHANGED EXCEPT THAT OVER 40,000 BF (APPROXIMATELY \$1,000) WILL NOT BE SUBJECT TO GROSS MONTHLY SALARIES INDEXATION FROM JANUARY 1 TO 30 SEPTEMBER
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1976.

2. TO AID EMPLOYMENT, PARTICULARLY OF YOUNG PEOPLE, THE ECONOMIC RECOVERY LAW WILL INCLUDE TWO NEW FEATURES:

(A) ALL PUBLIC SERVICES AND ENTERPRISES WHICH EMPLOY OVER 100 WORKERS WILL RECRUIT A YOUNG TRAINEE UNDER 30 FOR EVERY 100 EMPLOYEES FOR A SIX-MONTH PERIOD.

(B) ON AN EXPERIMENTAL BASIS FOR 1976 A SYSTEM OF VOLUNTARY EARLY RETIREMENT IN ALL PRIVATE COMPANIES WHICH EMPLOY AT LEAST 50 PEOPLE WILL BE MADE AVAILABLE FOR MALE

WORKERS BETWEEN AGES 63 AND 64 AND FEMALE WORKERS BETWEEN 58 AND 59 ON CONDITION THEIR REPLACEMENT IS ASSURED BY A YOUNG WORKER UNDER 30.

3. TO FINANCE THE EARLY RETIREMENT PROGRAM A SOLIDARITY FUND WILL BE ESTABLISHED TO BE FUNDED BY THE FOLLOWING:

(A) COMPANIES WHICH IN 1976 HAVE PROFITS WHICH EXCEED BY 10 PERCENT THEIR AVERAGE PROFIT FOR THE YEARS 1972-1974 WILL PAY A PREMIUM EQUAL TO ONE TENTH OF THEIR NORMAL TAXES TO THE SOLIDARITY FUND. EXEMPTION MAY BE GIVEN FOR COMPANIES WHOSE PRODUCTIVE INVESTMENTS EXCEED AN AMOUNT YET TO BE DETERMINED.

(B) THE SPECIAL TAX OF 48 PERCENT ON COMPANIES WHICH IGNORE THE WAGE FREEZE NOTED ABOVE.

4. OTHER MEASURES CALL FOR 25 PERCENT REDUCTION IN EMPLOYERS CONTRIBUTION TO FAMILY ALLOWANCE SYSTEM AND SUSPENSION OF CREDIT HOURS TAX IN 1976.

5. THE EMPLOYERS FEDERATION (FEB) LOST NO TIME IN CRITICIZING THIS PACKAGE FOR LEAVING THE INDEXATION SYSTEM INTACT AND FOR GRANTING AN EARLY RETIREMENT PROGRAM TO BE FINANCED BY PRIVATE EMPLOYERS. THE REACTION OF BELGIAN TRADE UNIONS (CSC AND FGFB) WAS SLOWER. ON NOVEMBER 12 THE CSC AND FGFB MET AND FAILED TO ESTABLISH A COMMON REACTION TO THE GOVERNMENT PACKAGE. THEY SUBSEQUENTLY MET WITH PRIME MINISTER TINDEMANS WHEREAFTER BOTH FEDERATIONS ANNOUNCED THAT THEY WOULD CONSULT THEIR RANK-AND-FILE BEFORE TAKING A FINAL STAND. CSC WILL HOLD A NATIONAL COUNCIL MEETING NOVEMBER 25 AND THE FGFB WILL CONVOKE A SPECIAL CONGRESS BEFORE DECEMBER 1. TINDEMANS IS EXPECTED TO DELAY FORMAL SUBMISSION OF HIS LIMITED OFFICIAL USE
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ECONOMIC RECOVERY PACKAGE TO PARLIAMENT UNTIL LABOR'S ANSWER IS IN.

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6. COMMENT: TINDEMANS HAS NOW PUT TOGETHER AN ANTI-INFLATIONARY PACKAGE WHICH CALLS FOR SACRIFICES, ALBEIT IN UNEVEN DOSES, FROM ALL SECTORS OF BELGIAN SOCIETY. THE COMPLAINTS FROM THE FEB WERE EXPECTED AND, WHILE LARGELY JUSTIFIABLE ON ECONOMIC GROUNDS, DO NOT LOOM AS A SERIOUS POLITICAL CHALLENGE TO TINDEMANS. THE FACT THAT TINDEMANS HAS BROKEN THE CSC-FGFB SOMMON FRONT IS SIGNIFICANT. CSC WILL PROBABLY TRY TO GAIN SOME IMPROVEMENT ON THE TINDEMANS PROGRAM WITH A VIEW TO GAINING RANK-AND-FILE ENDORSEMENT. IF THE LATTER APPROVE, THE TOTAL PACKAGE TINDEMANS CAN PROBABLY COUNT ON GETTING IT THROUGH PARLIAMENT BEFORE THE CHRISTMAS RECESS WHETHER OR NOT THE SOCIALIST FGFB GOES ALONG. PRICE HE WILL PAY FOR SUCH A POLITICAL VICTORY, HOWEVER, WILL BE DIMINUTION

OF THE INCOMES PLAN TO POINT WHERE IT UNLIKELY TO REPRESENT
MUCH OF A WEAPON AGAINST BELGIUM'S HIGH (CURRENTLY 11.5
PERCENT) AND STUBBORN ANNUAL INFLATION RATE.FIRESTONE

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